

## **Form ADV Firm Brochure**

**July 21, 2021**

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This Brochure provides information about the qualifications and business practices of NEXT Financial Group, Inc. ("NEXT"). If you have any questions about the contents of this Brochure, please contact us at 877-876-6398. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. NEXT is a registered investment adviser. Registration as an investment adviser does not imply any level of skill or training.

Additional information about NEXT Financial Group, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

This section summarizes material changes since NEXT Financial Group, Inc.’s (“NEXT”) last annual updating amendment on March 31, 2021. For additional details, please see the item in this Brochure referred to in the summary below.

### **Disciplinary Information**

On July 13, 2021, NEXT entered into an AWC with FINRA. FINRA found that from January 2012 through February 2019, NEXT failed to have adequate supervisory procedures to detect and prevent unsuitable short-term trading of mutual funds and municipal bonds in customer accounts and over-concentration in customer accounts in Puerto Rico municipal bonds, and certain other matters (Item 9).

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## Item 4 – Advisory Business

NEXT Financial Group, Inc. (“NEXT,” “we” or “us”) was formed in 1999, is a Virginia corporation, and is a wholly owned subsidiary of NEXT Financial Holdings, Inc., a Delaware corporation. NEXT Financial Holdings, Inc. is an indirect wholly owned subsidiary of Atria Wealth Solutions, Inc., a Delaware corporation that is privately owned.

NEXT is registered as a full-service general securities broker/dealer, is a member of the Financial Industry Regulatory Authority, Inc. (“FINRA”) and is registered as an investment adviser with the U.S. Securities and Exchange Commission (“SEC”). NEXT is also licensed as an insurance agency in 50 states. NEXT offers products and services to its clients through its affiliate NEXT Financial Insurance Services Company, an insurance agency.

NEXT offers clients a variety of advisory programs and services. The advisory services offered through NEXT are described in this Brochure. NEXT is not a custodian of any accounts.

For additional information about NEXT, a copy of NEXT’s Form ADV is publicly available at the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or upon request.

As of December 31, 2020, NEXT had regulatory assets under management of \$2,610,708,731, all of which is managed on a discretionary basis. NEXT’s Investment Adviser Representatives (“IARs”) also recommend the services of select third-party money managers.

NEXT offers the following advisory programs and services to its clients:

- NEXT Select Platform
- Contour Platform
- Visionary Multi-Manager Program
- Variable Annuity Model Portfolios Program
- Investment Fiduciary & Retirement Plan Consulting
- Plan Participant Investment Advice Services
- Recommendation of third-party money managers
- Educational workshops/seminars
- Consulting Services Program

### NEXT Select Platform (“NEXT Select”)

NEXT Select is a discretionary managed wrap fee platform sponsored by NEXT. NEXT has entered into an agreement with Lockwood Advisors, Inc. (“Lockwood”), to provide administrative services for the program and platform accounts. Platform assets are eligible to be invested in (a) mutual funds, exchange traded funds (“ETFs”), options (limited to covered calls and purchases), and/or individual securities managed by the IAR (the “Representative Managed Program”); (b) ETF and mutual fund model portfolios managed by NEXT’s Investment Committee (the “ETF Program”); (c) mutual funds, ETFs, and/or other individual securities in separate accounts managed by other investment advisers (“SMA Managers”) selected by NEXT (the “Separately Managed Program”); or (d) mutual funds, ETFs, and/or individual securities a single, unified account with a portfolio customized by the IAR and overlay management services provided by Lockwood,

pursuant to the directions of one or more model providers (“Model Providers”) (the “Multi-Manager Program”).

A wrap fee pricing structure allows you to pay an all-inclusive fee for account management, brokerage, clearance and administrative services. A portion of the wrap fee is paid to your IAR, NEXT, Lockwood, Pershing LLC, the custodian, and, if applicable, a SMA Manager or Model Provider(s) for their respective services. You should consider that, depending upon the level of the wrap fee charges, the amount of portfolio activity in your account(s), the value of services provided under the investment program, and other factors, the wrap fee could exceed the aggregate cost of services if they were to be provided separately.

NEXT Select allows IARs to charge clients differing tiered level fee rates on the account value. The tiered levels follow a declination table which means that as the account increases in value, fees are charged at a reduced rate as assets enter a new tier with a lower rate.

A client opening a NEXT Select account should receive a copy of the NEXT Select Wrap Fee Program Brochure or Form ADV Part 2A Appendix 1, which contains additional information concerning the NEXT Select Platform, wrap fee programs in general, and a disclosure of fees payable by the client.

## **Contour Wrap Fee Program (“Contour”)**

Contour is a discretionary managed wrap fee platform sponsored by NEXT. NEXT has entered into an agreement with Envestnet Asset Management, Inc. (“Envestnet”), to provide administrative services for the program and Contour accounts. Contour accounts are in custody of an unaffiliated custodian designated by the client after consultation with an IAR. Custodial options include Pershing LLC (“Pershing”), TD Ameritrade, Inc., and any other custodian NEXT chooses to make available (hereinafter referred to as “Custodian”). Custodian is responsible for execution and clearing of transactions, custody of assets and delivery of statements and confirmations for Contour accounts. Neither Envestnet nor Custodian is affiliated with NEXT.

Contour is comprised of four program options: Advisor as Portfolio Manager (“APM”), Fund Strategist Portfolios (“FSP”), Separately Managed Accounts (“SMA”), and Unified Managed Accounts (“UMA”). Your IAR will interview you to determine your financial needs and objectives, gather your customer profile and risk tolerance information to complete a Statement of Investment Selection (“SIS”). The information gathered from the risk tolerance questionnaire (“RTQ”) or approved financial planning tool will assist in determining a recommended allocation of your assets into an asset allocation model fitting one of seven investment profiles: Capital Preservation, Conservative, Conservative Growth, Moderate, Moderate Growth, Growth, or Aggressive. Your IAR will obtain your written consent to change your investment profile risk tolerance. Your IAR will assist you in selecting one of the four program options to implement the portfolio. Your IAR will create a proposal (“Proposal”) including your investment profile questionnaire responses, selected program option(s) and applicable fees. You, your IAR and NEXT will enter into a Contour Platform Agreement (“Contour Agreement”) outlining your participation in the Platform.

A client opening a Contour account should receive a copy of the Contour Wrap Fee Program Brochure or Form ADV Part 2A Appendix 1, which contains additional information concerning the Contour Platform, wrap fee programs in general, and a disclosure of fees payable by the client.

## **Visionary Multi-Manager Program (“Visionary Program”)**

The Visionary Program is a unified managed account program of model portfolios, sponsored by NEXT. NEXT has entered into an Agreement with Envestnet to provide technological, administrative, and advisory services for the Visionary Program and Visionary Program accounts. Investment advisory services under the Visionary Program are provided by NEXT, Envestnet and NEXT’s IARs. After consulting with IAR, clients designate TD Ameritrade, Inc. (“TD Ameritrade”) as the custodian of Visionary Program accounts, to execute and clear transactions, custody assets and deliver statements and confirmations to you. Neither Envestnet, nor TD Ameritrade are affiliated with NEXT.

The Visionary Program assets are invested in a single account for a portfolio customized by your IAR and managed by Envestnet pursuant to the directions of one or more other investment advisers who have entered into licensing agreements with Envestnet to act as Sub-Managers or Model Providers. Your IAR selects and allocates Visionary Program assets among selected Sub-Managers and/or Model Providers’ investment models (“Third Party Models”) and other available investments, such as ETFs and mutual funds (“Other Investments”). Once IAR has established the content of the portfolio, Envestnet provides overlay management of the Third Party Models by implementing trade orders and periodically updating and rebalancing each Third Party Model pursuant to the direction of the Model Provider(s) and IAR. Any Sub-Manager (if applicable) shall have full discretion regarding the purchase and sale of securities and the remaining cash allocation in order to facilitate flexibility in the management of Visionary Program assets.

The Visionary Program also features optional overlay services whereby a client can customize an investment strategy. Tax overlay attempts to minimize your potential tax burden by realizing losses and deferring realization of short-term gains. The goal of tax overlay management services is to improve the after-tax return of the portfolio while staying as consistent as possible with the risk/return characteristics provided by the Third Party Models. For those clients who wish to have investment portfolios that more closely align with their personal convictions, clients may elect the Socially Responsible Investing Overlay Screens which integrate Environmental, Social and Governance (ESG) factors into client’s investments. In this strategy, you may impose restrictions to prevent your account from being invested in companies involved in, for example, gambling, alcohol, tobacco, or pornography.

A client opening a Visionary Program account should receive a copy of the Visionary Multi-Manager Wrap Fee Program Brochure or Form ADV Part 2A Appendix 1, which contains additional information concerning the Visionary Program, wrap fee programs in general, and a disclosure of fees payable by the client.

## **Variable Annuity Managed Portfolios Program (“VAMPP”)**

VAMPP is a discretionary investment advisory program for sub-accounts within selected fee-based (advisory share) variable annuity contracts (“Contracts”) utilizing model portfolios. While NEXT manages certain commission-based annuities based on advisory agreements in place prior to VAM’s merger with and into NEXT, all new VAMPP advisory agreements authorize sub-account management only on fee-based annuity Contracts.

NEXT has contracted with Model Portfolio Advisors (“MPAs”) to create a number of models (“Models”) that are available to you. NEXT will allocate the sub-accounts to the selected Model by providing instructions to the variable annuity issuer (“Carrier”) in its sole discretion and without first consulting you. NEXT will perform

ongoing monitoring and due diligence on the MPAs and Models offered in VAMPP and may add or remove MPAs and/or Models to/from the program from time to time. NEXT will provide ongoing and periodic reallocation and rebalancing of variable annuity Contract assets consistent with the Model's target allocation.

NEXT's IARs are the primary relationship managers with VAMPP clients. IARs assist clients in understanding the program services and strategies and in determining if VAMPP is suitable for clients. Your IAR is responsible for assisting you in Model selection based on the information provided by you at the inception of the account, including but not limited to your Investor Profile Questionnaire. Although your IAR helps you select a portfolio strategy after reviewing and evaluating your investment objectives, you are solely responsible for selecting the portfolio strategy. Your IAR is responsible for monitoring the appropriateness of the selected Model in light of any changes in your financial condition, risk tolerance and investment objectives. Your IAR will have limited discretion to change Models without your written consent so long as the change does not (a) increase the total fee, or (b) increase your risk tolerance. A change to a Model portfolio with a higher risk score will only be made with your written consent.

Based on the model selected, NEXT will trade the subaccounts to the Model at the Carrier. MPAs monitor the performance of their models and will periodically adjust and rebalance the portfolios in accordance with their investment strategies. Sub-account allocations will be adjusted by NEXT based on the Models in which they are invested; however, the Carriers that issue the Contracts may have trading restrictions relating to the frequency of trading and the size of the trades. Trading restrictions are specific to each Carrier. NEXT is required to adhere to these trading restrictions. Upon request, NEXT will provide an explanation of the restrictions, based on its understanding.

At least annually, your IAR will contact you to determine if any changes have occurred that could affect the ongoing suitability of the investments selected and determine if any restrictions should be imposed on the management of your account. It is important that you notify your IAR promptly when changes to your financial situation, objectives, or other personal information occur, so that your IAR may adjust management of your portfolio, if necessary.

## **Investment Fiduciary & Retirement Plan Consulting**

Certain of NEXT's IARs offer the following retirement plan services to employer-sponsored retirement plans and their participants: (1) Non-discretionary Investment Fiduciary Services; and/or (2) Retirement Plan Consulting Services. Depending on the type of the plan and the specific arrangement with a plan sponsor, we will provide one or more of these services. The plan sponsor will execute an Investment Fiduciary & Retirement Plan Consulting Agreement that outlines the services and fees.

### **Non-discretionary Fiduciary Services**

These services are designed to allow a plan sponsor to retain full discretionary authority or control over assets of the plan. NEXT's IARs will only be making recommendations to the sponsor. We will perform these non-discretionary investment advisory services through our IARs, and charge a fee for these fiduciary services, as described in this Form ADV and the Investment Fiduciary & Retirement Plan Consulting Agreement. We perform these investment advisory services for the plan as a fiduciary defined under Employment Retirement Income Security Act ("ERISA") Section 3(21) and will act with the degree of diligence, care and skill that a prudent person rendering similar services would exercise under similar circumstances.



The plan sponsor can engage us to perform one or more of the following non-discretionary investment advisory services:

- Investment Policy Statement - Creation or review of existing investment policy statement;
- Advice Regarding Designated Investment Alternatives (“DIAs”) – Make recommendations for selection and ongoing monitoring of DIAs to be offered to plan participants;
- Advice Regarding Qualified Default Investment Alternative(s) (“QDIA(s)”) – Review of available investment options and recommendations to assist the plan sponsor in selecting or replacing the plan’s QDIA(s);
- Third-Party Advisors and/or Managers - Recommend and assist in selection of third-party advisors and/or investment managers; and/or
- Participant Advice – Collect investor profile information and provide recommendations to assist the plan participant with the investment of plan assets in one or more of the plan’s DIAs or Models, if available.

### **Retirement Plan Consulting Services**

Retirement Plan Consulting Services are designed to allow our IARs to assist a plan sponsor in meeting his/her fiduciary duties to administer a plan in the best interests of plan participants and their beneficiaries. When providing Retirement Plan Consulting Services, recommendations will only be made to the plan sponsor and the sponsor retains full discretionary authority or control over plan assets. The sponsor can also engage an IAR to assist with administrative support, to provide oversight of relationship with service providers, to assist with investments, and/or to provide participant services as more fully described below. Some IARs offer additional services in addition to those listed below.

#### ***Administrative Support***

- Assist plan sponsor in reviewing objectives and options available through the plan
- Assist with development/maintenance of fiduciary audit file and document retention policies
- Deliver fiduciary training periodically or upon reasonable request

#### ***Service Provider Support***

- Assist fiduciaries with a process to select, monitor and replace service providers
- Provide reports and/or information designed to assist fiduciaries with monitoring Covered Service Providers (“CSPs”)
- Coordinate and assist with CSP replacement and conversion

#### ***Investment Monitoring Support***

- Assist the plan committee with monitoring investment performance
- Assist with Designated Investment Managers (“DIMs”) and/or third-party advice providers as necessary

### ***Participant Services***

- Facilitate group enrollment meetings
- Coordinate employee education regarding plan investments and fees
- Assist plan participants in understanding plan benefits, retirement readiness and impact of increasing deferrals

### **Additional Services Provided Outside of the Investment Fiduciary & Retirement Plan Consulting Agreement**

NEXT and/or its IARs can establish a client relationship with one or more plan participants outside of the Investment Fiduciary & Retirement Plan Consulting program. Such client relationships develop in various ways, including, without limitation:

- as a result of a decision by a participant or beneficiary to purchase services from NEXT not involving the use of plan assets;
- as part of an individual or family financial plan for which any specific recommendations concerning the allocation of assets or investment recommendations relate exclusively to assets held outside of the plan;
- through a separate arrangement to provide advice services to a plan participant under a Plan Participant Investment Advice Agreement; or
- through an Individual Retirement Account Rollover (“IRA Rollover”).

If a plan participant or beneficiary desires to affect an IRA Rollover, an IAR must obtain a written acknowledgement from the plan participant, known as the Retirement Plan Rollover Disclosure Form. Any decision to affect the rollover, or about what to do with the rollover assets, remains that of the participant or beneficiary alone.

In providing these optional services, we can offer employers and employees information on other financial and retirement products or services offered by NEXT and our IARs.

### **Plan Participant Investment Advice Services**

Plan Participant Investment Advices Services are designed to allow our IARs to provide non-discretionary advice under a Plan Participant Investment Advice Agreement regarding your employer-sponsored retirement plan account. Based upon the information you provide to your IAR about your investment objectives, risk tolerance, investment time horizon, etc., your IAR will provide you with written recommendations to assist you with the investment of your employer-sponsored retirement account. Your IAR will only provide recommendations relating to the investment alternatives designated by your employer (“Designated Investments”) and available to you through your employer-sponsored plan. Your IAR will only provide investment recommendations; you are responsible for executing the recommended transactions. Your IAR and NEXT will be held to a fiduciary standard of care under ERISA when providing you with investment advice, as defined under Sec. 3(21)(A)(ii) of ERISA, regarding your account.

## **Recommendation of Third-Party Money Managers**

NEXT's IARs can assist you in selecting a non-affiliated third-party money manager. Your IAR utilizes a number of factors in determining an appropriate third-party money manager including performance, strategies, investment objectives, fees and methods of analysis, and comparing those factors to your goals and objectives (determining risk tolerance and investment styles). Clients who are referred to a third-party money manager should review the disclosure document for the third-party money manager and any separate written agreement(s) between the client and the money manager for more complete information regarding the terms and conditions of the client's relationship with the money manager. When a client is referred to a third-party money manager, the IAR does not directly manage the client's assets. The client's assets are managed by the selected third-party money manager.

Third-party money managers have differing minimum account requirements and a variety of fee ranges. All securities are selected, and transactions are executed by the third-party money manager. Your IAR will contact you periodically to review your financial situation, objectives, and restrictions and communicate information to the third-party money manager; and assist you in understanding and evaluating the services provided by the money manager. Each third-party money manager maintains its own separate execution, clearing, and custodial relationships. NEXT and the IAR receive a portion of the fee paid to the third-party money manager for its services.

## **Educational Workshops/Seminars**

IARs can conduct educational workshops or seminars on various financial topics that encourage clients to seek investment advisory services or purchase securities or insurance products. Because a wide variety of clients attend these workshops and/or seminars, the events are generally not designed to meet the individual needs of clients but are appropriate for a larger audience.

## **Consulting Services Program**

NEXT's Consulting Services Program ("Consulting Services") allows an IAR to offer clients financial planning and/or consulting services in exchange for a fee. The nature of these services varies based upon an analysis of individual client needs. Areas addressed can include but are not limited to investment portfolio advice; business or estate planning; financial counseling and/or planning; and complex planning services. Complex planning services are either complex in nature and/or will require a significant amount of time to complete. Complex planning services must be outlined in a plan proposal providing a description of agreed upon services.

## **Item 5 – Fees and Compensation**

This section provides information concerning fees and compensation for investment advisory services and programs available through NEXT. Additional information regarding fees and compensation for wrap fee programs offered by NEXT can be found in the Contour Wrap Fee Program Brochure, the NEXT Select Wrap Fee Program Brochure, and the Visionary Multi-Manager Wrap Fee Program Brochure.

Regarding advisory services programs sponsored by NEXT, IARs are compensated for their services by charging an advisory fee. Fees are disclosed as a percentage of the value of the assets in the client's account,

subject to a stated maximum. The actual fee is disclosed prior to the client signing the agreement. The advisory fee is shared between your IAR and NEXT.

Asset-based fees are deducted from the account in advance on a quarterly basis. The fees deducted, including the dates and amounts, are reflected on the quarterly statements sent by the custodian. You should review those statements and the fees deducted. Any questions about the fees deducted from your account should be directed to your IAR, or you may contact us at the number on the cover page of this brochure.

## **Compensation and Expenses from Mutual Funds and Other Investment Products**

For accounts that contain mutual funds, unit investment trusts, ETFs, publicly traded real estate investment trusts, and/or annuities, each mutual fund, unit investment trust, ETF, publicly traded real estate investment trust, structured product, and annuity bears its own internal fees, operating expenses and/or organization costs (none of which are shared with NEXT or your IAR) as disclosed in the applicable prospectus, statement of additional information or product description. This compensation is in addition to any advisory fee, resulting in increased costs to you.

Clients participating in VAMPP based on advisory agreements in place prior to the date VAM was merged with and into NEXT, can have advisory agreements that authorize sub-account management on commission-based variable annuities. In this scenario, NEXT's IARs recommended VAMPP to clients who were sold variable annuities by the IAR in the IAR's capacity as a NEXT registered representative. When the IAR sold a client a commission-based product and then placed the annuity under management in VAMPP, the IAR will have received a commission in addition to the advisory fee and the contract can be subject to ongoing trails, depending on the annuity's expense structure. NEXT addresses this conflict in part by offsetting trails received against the advisory fee. All new VAMPP advisory agreements authorize sub-account management only on fee-based annuity contracts. Fee-based annuities typically feature institutional pricing with no trails, commissions, or withdrawal charges.

Your IAR, in his/her separate capacity as a NEXT registered representative and acting in compliance with NEXT's compliance policies and procedures, earns commissions from the sale of mutual funds, variable annuities, ETFs and other securities. After considering your overall needs and objectives along with your preferences, your IAR can recommend that you convert from a commission-based account to a fee-based program NEXT sponsors. To address the conflicts below, NEXT has implemented the following policies:

- When Class A, B or C shares of mutual funds are transferred into an advisory account, additional mutual fund purchases within the advisory account are made at net asset value (NAV) or in advisor or institutional share classes which do not include 12b-1 fees. Such purchases will not result in your payment of a commission in addition to the annual advisory fee.
- NEXT will attempt to convert Class A, B and C share mutual fund holdings in an advisory account to advisor or institutional class shares where available. In the event a tax-free conversion is unavailable or does not occur, 12b-1 fees received in fee-based accounts will be credited to your account.
- If your NEXT Select, Contour or Visionary Program account is funded with a deposit of one or more open end mutual funds, unit investment trusts or proceeds from the sale of open end mutual funds or unit investment trusts, where NEXT was paid a sales charge in its capacity as a broker/dealer within one year of the initial billing date, you are entitled to a fee offset. The mutual fund fee offset varies

depending on whether the mutual fund was subject to a front-end or a back-end sales charge. For mutual funds subject to a front-end sales charge, the fee offset is calculated using the number of shares multiplied by the closing price of the security on the day prior to the initial billing date multiplied by the annual advisory fee. For mutual funds subject to a back-end sales charge, the fee offset is equal to the amount of the back-end sales charge incurred:

- Upon liquidation of a mutual fund in the account; or
- Upon liquidation of a mutual fund within 60-days prior to the date the proceeds are transferred into the account.

The unit investment trust fee offset is calculated in the same manner as the front-end load mutual fund fee offset. Fee offsets are spread equally over four calendar quarters.

## **NEXT Select Platform Fees**

The fees for participation in NEXT Select are based on an annual percentage of your Platform Assets. The Total Fee is comprised of three components: (a) the Program Fee, (b) the Advisory Fee, and, (c) if applicable, the Manager(s) Fee. The Manager Fee applies in the ETF and Mutual Fund Program, Separately Managed Program and Multi-Manager Program, but no Manager Fee is included in the Representative Managed Program.

The Total Fee is calculated at the beginning of each calendar quarter based on the fair market value of your Platform Assets, including money market funds, interest and reinvested dividends in the account, on the last business day of the prior calendar quarter. Pershing determines fair market value for fee calculation purposes.

You authorize the fees to be deducted from your account, or from any other account in Pershing's custody as directed by you, quarterly in advance. Fees deducted, including the dates and amounts, are noted on account statements sent to you by the custodian. The first payment is prorated based on the number of calendar days in the partial quarter. If you invest or withdraw \$10,000 or more in the account after the first day of a calendar quarter, a prorated fee or rebate is calculated on each eligible deposit or withdrawal with adjustments applied in the subsequent billing period. If the account is terminated prior to the end of a calendar quarter, a pro rata portion of the total fee will be reimbursed to you.

## Fee Schedule

**Total Fee = Advisory Fee + Program Fee + Manager Fee (if applicable)**

Platform Assets	Maximum Allowable Advisory Fee <sup>(1)</sup>	Program Fee <sup>(2)</sup>			
		Representative Managed Program	ETF and Mutual Fund Program	Separately Managed Program	Multi-Manager Program
First \$250,000	1.50%	0.200%	0.250%	0.350%	0.400%
Next \$250,000	1.50%	0.175%	0.225%	0.325%	0.375%
Next \$500,000	1.50%	0.150%	0.200%	0.300%	0.350%
Next \$1,000,000	1.50%	0.100%	0.175%	0.250%	0.300%
Next \$1,000,000	1.50%	0.080%	0.150%	0.200%	0.250%
Assets above \$3,000,000	1.00%	0.080%	0.150%	0.200%	0.250%
<b>Manager Fee <sup>(3)</sup></b>		N/A	0.10%	0.00% - 0.50%	0.00% - 0.50%

(1) This is the maximum Advisory Fee. The Advisory Fee is negotiable and can be less than the maximum.

(2) Client pays one Program Fee for the individual program selected.

(3) The Manager Fee(s) is paid to the SMA Manager(s) or Model Provider(s) providing advice under a specific program and varies depending on the manager or provider and assets managed.

The above Fee Schedule is based on the amount of money you invest in the Platform and is not dependent on the amount of trading in the account or the advice given in any particular time period. Transactions in accounts are executed for a single wrap fee, which reduces the potential conflict of interest associated with executing orders for accounts and earning transaction-based compensation in connection with each order. You should be aware that lower fees for comparable services could be available from other sources.

## Contour Platform Fees

The fees for participation in Contour are based on an annual percentage of your Platform Assets. The Total Fee is comprised of three components: (a) the Program Fee, (b) the Advisory Fee, and (c) if applicable, the Manager(s) Fee. The Manager Fee applies in the FSP, SMA and UMA, but no Manager Fee is included in the APM.

The Total Fee is billed and collected monthly or quarterly in advance as noted on the SIS. The fee is based on the fair market value of your Platform Assets, including money market funds, interest and reinvested dividends in the account, on the last business day of the prior calendar quarter. Custodian determines fair market value for fee calculation purposes.

Fees are automatically deducted from your account, or from any other billable account as directed by you. The first payment is prorated based on the number of calendar days in the billing period. If you invest or withdraw \$10,000 or more in the account after the first day of a billing period, a prorated fee or rebate is calculated on

each eligible deposit or withdrawal with adjustments applied the subsequent month. If the account is terminated prior to the end of a billing period, a pro rata portion of the Total Fee will be reimbursed to you. The fees deducted, including the dates and amounts, are reflected on the statements sent by Custodian. You should review those statements and the fees deducted. Any questions on the fees deducted from your account should be directed to your IAR, or you may contact us at the number on the cover page of this brochure.

The Advisory Fee compensates your IAR for assisting in the design, implementation, and ongoing monitoring of your investment plan. The Advisory Fee is negotiated between you and your IAR but will not exceed 1.5%, except that in connection with fees for annuity subaccount management in APM, the Advisory Fee will not exceed 1%. The fee charged depends upon a number of factors including the amount of the assets under management, the nature and extent of other account relationships between you and your IAR, the nature and complexity of the model portfolios, and other factors that the IAR deems relevant. The fee you negotiate will be different than the fees your IAR negotiates with other clients or the fees other IARs negotiate with other clients for similar services.

The Program Fee includes execution, clearing, custody, and NEXT, Envestnet and Custodian fees. The Program Fee is assessed in each of the program options and is non-negotiable.

Manager Fees apply in the FSP, SMA and UMA. The Manager Fee in the SMA and UMA varies by the selected SMA Manager, Sub-Manager or Model Provider and ranges between 0.00% and 0.75% of your Platform Assets. In the UMA, if your account has more than one Model Provider or Sub-Manager, the effective Manager Fee will be a blend of all Model Providers' and/or Sub-Managers' fees weighted by the dollar amount invested in each Model Portfolio. SMA Managers or Model Providers who charge no, or a nominal fee are typically compensated by advisory fees from the propriety funds the SMA Managers or Model Providers include in their models. In the FSP, the Manager Fee ranges from 0% to 0.50% depending on the portfolio selected. Manager Fees are non-negotiable.

An additional charge of up to 10 basis points (0.10%) will be added to your program fee if you elect certain tax management services, ESG or socially responsible screening, or other portfolio customization described in the SIS. This charge is paid to the investment manager or the "overlay manager" that applies the tax screening to your investments.

## **Visionary Program Fees**

The fees for Visionary Program participation are based on an annual percentage of your program assets. The Program Fee is comprised of four components: (a) the Advisory Fee, (b) the Platform Fee, (c) the Sponsor Fee and (d) if applicable, the Manager(s) Fee. The Program Fee is calculated at the beginning of each calendar quarter based on the fair market value of your program assets, including money market funds, interest and reinvested dividends in the account, on the last business day of the prior calendar quarter.

Fees are automatically deducted from your account quarterly in advance and are noted on account statements sent to you by the custodian. The first payment is prorated based on the number of calendar days in the partial quarter. If you invest or withdraw \$10,000 or more in the account after the first day of a calendar quarter, a prorated fee or rebate is calculated on each eligible deposit or withdrawal with adjustments applied in the subsequent billing period. If you terminate your participation in the program prior to the end of a calendar quarter, a pro rata portion of the Program Fee will be reimbursed to you.

## Fee Schedule

**Program Fee\* = Advisory Fee + Platform Fee+ Sponsor Fee + Manager Fee**

Program Assets	Maximum Advisory Fee	Platform Fee** (Equity and Balanced Strategies)	Platform Fee** (Mutual Fund and ETF Strategies)	Sponsor Fee	Manager Fee
Up to \$250K	1.5%	0.13%	0.08%	0.25%	0.00% - 0.55%
\$250K-500K	1.5%	0.13%	0.08%	0.25%	0.00% - 0.55%
\$500k-1M	1.5%	0.13%	0.07%	0.25%	0.00% - 0.55%
\$1M-2M	1.5%	0.11%	0.07%	0.25%	0.00% - 0.55%
\$2M-5M	1.5%	0.11%	0.06%	0.25%	0.00% - 0.55%
Above \$5M	1.5%	0.09%	0.06%	0.25%	0.00% - 0.55%

\*Does not include the asset-based fee for brokerage/custody/clearing services provided by the custodian

\*\*Minimum annual per Account Platform Fee: \$100

Optional impact or Tax Overlay Service fee: 10 basis points

The above Fee Schedule is based on the amount of money you invest in the Visionary Program and is not dependent on the amount of trading in the account or the advice given in any particular time period. The Program Fee does not cover custodial fees charged to you by the custodian. The custodial fee is an asset-based fee which is disclosed in the custodial agreement. You should be aware that lower fees for comparable services could be available from other sources.

## Other Fees and Expenses

You will pay individual retirement account (“IRA”) and tax-qualified retirement plan trustee fees, certain custodial fees, and other ancillary charges within a Contour or NEXT Select account, as applicable. You should expect to be charged for specific account services, such as account transfer fees, wire transfer charges, checking fees and for other optional services elected by you on a per event basis. All such fees are subject to the pricing schedule set by Custodian and if Pershing is the selected Custodian, are in some cases shared between Pershing and NEXT. Our receipt of custodial fees creates a conflict of interest for NEXT because the fees constitute additional revenue to us, and the amount can be substantial. To mitigate this conflict, we do not share custodial fee revenues with your IAR, and we do not require IARs to recommend advisory programs in custody with Pershing. Brokerage and other transaction costs and certain administrative fees incurred in NEXT Select and Contour accounts are included in the wrap fee.

You can elect to receive communications and documents from Pershing, including confirmations and statements, electronically by authorizing electronic delivery in writing. Unless you authorize electronic delivery, Pershing will deliver communications and documents to you via U.S. mail. Pershing assesses a paper surcharge, which is shared with NEXT.

Interest on all cash account delinquencies (Cash Due Interest) in a client account is charged directly to your account at the then current rate. Transfer agent servicing fees, if any, are passed through to you and can vary based upon the transfer agent and position.



For Contour accounts in custody with Pershing, a \$10 mutual fund surcharge applies to purchases and redemptions of certain mutual funds that do not otherwise compensate Pershing for administration and operational accounting related to fund ownership. Neither NEXT nor your IAR retain any portion of the mutual fund surcharge. A list of applicable funds is available upon request.

## **VAMPP Fees**

The maximum Total Fee for participating in VAMPP is 2%. The fee is based on an annual percentage of variable annuity contract assets and comprises a Program Fee and an IAR Fee. The Program Fee will not exceed 0.50% per annum and is generally lower when the MPA is implementing their model strategies with sub-accounts they manage. The Program Fee is shared between the MPA and NEXT. The IAR Fee is negotiated by the IAR and may not exceed 1.0% of the value of contract assets, except that the IAR Fee on certain grandfathered accounts are charged up to 1.5% of contract assets. The IAR Fee will not be increased without your written consent. IAR Fee changes after the first day of the calendar quarter will be effective on the next quarterly billing cycle and will not be prorated. IAR may not negotiate or change the Program Fee.

Your fees can differ from the fees that NEXT or your IAR charge other clients participating in VAMPP, depending on the extent of the services provided and the cost of such services. Also, fees may be higher or lower than fees for similar services offered through other advisory firms.

The initial fee is calculated based on the fair market value of the total contract assets. The Total Fee is payable on a quarterly basis in advance. The initial Total Fee for any partial calendar quarter will be prorated based on the number of calendar days in the partial quarter. Thereafter, the Total Fee will be calculated at the beginning of each calendar quarter based on the value of contract assets on the last business day of the prior calendar quarter. If program participation is terminated prior to the end of a calendar quarter, you will receive a pro rata refund of fees based on the number of days remaining in the quarter.

In valuing contract assets, NEXT will use the values provided by the issuer of your variable annuity contract (“Carrier”). NEXT believes this information to be reliable but does not verify the accuracy of the valuation provided by the Carrier. If any information provided by the Carrier is unavailable or is believed to be unreliable, NEXT will value assets in a manner NEXT determines in good faith to reflect fair market value.

Client authorizes the Carrier or custodian you specify to debit the Total Fee from the Contract, or from another account you designate in writing. If you do not designate an account for fee debiting, NEXT will invoice you and the Total Fee will be due 30 days after the beginning of the calendar quarter. Withdrawal of fees from a variable annuity may constitute a taxable event, and a penalty may be imposed on fees withdrawn from accounts where the account holder is under 59 ½ years of age.

The Total Fee includes all fees and charges for NEXT’s and your IAR’s services, but does not include charges that may be assessed by the insurance company, including, but not limited to, early surrender fees, optional rider fees, maintenance and expense charges, separate account charges, and investment charges. The annuity’s fees and expenses are detailed in the annuity’s prospectus.

## **Investment Fiduciary and Retirement Plan Consulting**

Fees for Investment Fiduciary & Retirement Plan Consulting are negotiable. The types of fee arrangements include a percentage-based fee tied to assets under management; a periodic fee for ongoing services; and/or a

one-time project-based fee. Fees are payable based on the timing and amounts specified in the Investment Fiduciary & Retirement Plan Consulting Agreement signed by the plan sponsor.

Sponsors receiving retirement plan services can pay more or less than a client might otherwise pay if purchasing the services separately or through another service provider. There are several factors that determine whether the costs would be more or less, including, but not limited to, the size of the plan, the specific investments made by the plan, the number of or locations of participants, the retirement plan services offered by another service provider, and the actual costs of services purchased elsewhere.

Fees paid to NEXT for retirement plan services do not cover custody, clearing or settlement services, and are separate and distinct from the fees and expenses charged by mutual funds, variable annuities and exchange traded funds to their shareholders. These fees and expenses are described in each investment's prospectus. These fees generally include a management fee, other expenses, and possible distribution fees. If the investment also imposes sales charges, a client will pay an initial or deferred sales charge. The retirement plan services provided by NEXT can, among other things, assist the plan sponsor in meeting its requirements for administering and managing the Plan and, if applicable, to the Plan's participants to help them maximize their benefits through the Plan. Accordingly, the plan sponsor should review both the fees charged by the funds, the fund manager, the plan's other service providers and the fees charged by NEXT to fully understand the total amount of fees to be paid by the client and to evaluate the services being provided.

No increase in the fees will be effective without prior written notice.

## **Educational Workshops/Seminars**

The fees for workshops and seminars vary on a case-by-case basis and are determined by the IAR(s) hosting the presentation. The fee is generally a non-negotiable flat fee. The amount of the fee could be higher if a meal is served or if printed materials are provided to attendees. In certain cases, these events are "sponsored" or supported by product sponsors or third-party money managers who reimburse IARs for the cost of the event.

The fee for a workshop or seminar must be paid via personal check or electronic payment either before or at the time of the workshop or seminar. If you pre-pay for a workshop or seminar and are unable to attend, you must contact your IAR to determine whether all or a portion of the fee is refundable. Refunds of seminar fees are at the discretion of your IAR.

## **Plan Participant Investment Advice Services**

Compensation for plan participant investment advice services is structured as a fee that is negotiable at the discretion of your IAR depending upon a number of factors including, time and labor; account size; complexity of the services provided and special circumstances involved; and qualifications or expertise of the IAR. Fee options include:

- A flat fee for one-time services;
- Recurring billing for ongoing services with fees collected monthly, quarterly or semi-annually in arrears or in advance; or
- Billing at an hourly rate not to exceed \$350 per hour collected upon completion of services.

Payment for services is due according to the schedule in the Plan Participant Investment Advice Agreement.

NEXT, your IAR, or you, can upon written notice to the others, terminate the Plan Participant Investment Advice Agreement. In the event of termination, NEXT and/or your IAR will decide the amount to be charged to you based upon the time and resources expended. Generally, you will be charged for the portion of work performed.

## **Consulting Services**

Compensation for consulting services is structured as a fee that is negotiable at the discretion of your IAR depending upon a number of factors including, the amount of the assets being reviewed, the nature and extent of account relationships between NEXT and its affiliates with you, the type and complexity of services requested, and other factors that your IAR deems relevant. Fee options include:

- Flat fee billing for one-time services, with or without an initial retainer;
- Recurring billing for ongoing services with fees collected monthly, quarterly or semi-annually in arrears or in advance; or
- Billing at an hourly rate not to exceed \$350 per hour collected upon completion of services.

In no event will NEXT or the IAR collect a fee in advance exceeding \$1,200 when services cannot be completed within six (6) months of the effective date of the Consulting Services Agreement.

Payment for services is due according to the method and schedule in the Consulting Services Agreement. For services provided for a flat fee, or one-time only services, the Consulting Services Agreement will automatically terminate once the services have been completed by your IAR and you have paid for the services. In the case of recurring payments for ongoing services, the Consulting Services Agreement shall automatically terminate one year from the date of execution.

NEXT, your IAR, or you can, upon written notice to the others, terminate the Consulting Services Agreement. In the event of termination, NEXT and/or your IAR will decide the amount to be charged to you based upon the time and resources expended. Generally, you will be charged for the portion of work performed and any unearned fees will be refunded.

In the event you elect to implement any recommendation made by your IAR acting in your IAR's capacity as a registered representative of NEXT, your IAR will receive additional commissions, markups, markdowns, or advisory fees if you choose to purchase a product or open an account with us.

NEXT and your IAR receive compensation for the sale of securities or other investment products sold to you by your IAR following the provision of consulting services, including investment company securities (mutual funds), variable annuity products, or other assets. Additionally, these products have other internal expenses that you pay indirectly through the cost of the fund or product. This compensation is in addition to the consulting fee and will result in increased costs to you.

You have the option to purchase investments recommended by your IAR through other brokers or agents who are not affiliated with NEXT.

## Third-Party Money Managers

NEXT offers investment management services of several unaffiliated third-party money managers. NEXT and your IAR receive a portion of the fee charged by a third-party money manager recommended by your IAR. Fees you pay to a third-party money manager are in accordance with the money manager's fee schedule. In some instances, the advisory fee charged by NEXT for its services in connection with a third-party money manager's program is separately disclosed and negotiated. Third-party money manager agreements can be terminated by following the process described in the money manager's agreements or disclosure documents. Refunds of pre-paid fees can be obtained as noted in the money manager's client agreement.

## General Information Concerning Fees

Fees vary between IARs, and clients can pay more or less than those fees charged by another IAR for similar services. The advisory fee earned can be more or less than what NEXT and your IAR might earn from other programs available in the financial services industry or if the services were purchased on a commission basis. Therefore, NEXT and its IARs have a financial incentive to recommend one program over other programs or services.

Advisory fees are charged on all mutual fund shares deposited to advisory accounts unless eligible for the fee offset program described in the section entitled *Compensation and Expenses from Mutual Funds and Other Investment Products* above. This includes shares deposited into the investment advisory account on which clients have paid a sales charge within 12 months of the deposit. Also, to the extent that cash used for investment in an account comes from redemptions of your other non-managed mutual fund investments, you should consider the cost, if any, of the sales charge(s) previously paid and redemption fees that could be incurred. Such redemption fees would be in addition to the advisory fee on those assets. You should be aware that such redemptions and exchanges between mutual funds within investment advisory accounts typically have tax consequences in non-retirement accounts, which should be discussed with an independent tax advisor.

## Item 6 – Performance-Based Fees and Side-by-Side Management

Advisory fees based upon a share of capital gains or capital appreciation of assets of an advisory client are commonly referred to as “performance-based fees.” NEXT does not permit IARs to accept performance-based fees. NEXT does not engage in side-by-side management.

## Item 7 – Types of Clients

NEXT, through its IARs, offers investment advisory services to individuals, high net worth individuals, pension and profit sharing plans, charitable organizations, and corporations or other businesses. Investment Fiduciary and Retirement Plan Services are available to clients that are sponsors or other fiduciaries to retirement plans, including 401(k), 457(b), 403(b) and 401(a) plans. Plans include participant-directed defined contribution plans and defined benefit plans. Plans may or may not be subject to ERISA. Our clients can have both fee-based advisory accounts and commission-based brokerage accounts. Depending on a client's preferences and needs, our representatives provide advisory services, brokerage services, or both.

The minimum initial account size for both the Visionary Program and VAMPP is \$25,000. The minimum account size for these programs can be waived at NEXT's discretion. Third-party money managers and advisory

programs also require minimum investment amounts that vary by program. We do not require a minimum asset amount for Investment Fiduciary & Retirement Plan Consulting, Plan Participant Advice Services, or Consulting Services.

The initial minimum account size for NEXT Select program options are listed below; however, these minimums can be waived at NEXT's discretion. In the SMP, should the SMA Manager require a higher minimum, the higher minimum will apply. In the Multi-Manager Program, the minimum account size for each model style is determined by the Model Provider.

<b>NEXT Select Program</b>	<b>Minimum</b>
Representative Managed Program	\$25,000
ETF Program – Mutual Fund Models	\$5,000
ETF Program – ETF Models	\$10,000
Separately Managed Program	\$25,000
Multi-Manager Program	\$50,000

The initial minimum account size for Contour program options is listed below.

<b>Contour Program</b>	<b>Minimum</b>
Advisor as Portfolio Manager Program	\$25,000
Fund Strategist Portfolios	As low as \$2,000
Separately Managed Accounts	\$100,000
Unified Managed Accounts	\$100,000

The initial Contour account minimum can, however, be waived at NEXT's discretion, considering various factors. Such factors include, but are not limited to, length of client relationship or combined values of other household/family member accounts. In the SMA, should the SMA Manager require a higher minimum, the higher minimum will apply. In the UMA, the minimum account size for each model style is determined by the Model Provider or Sub-Manager.

## **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

NEXT's IARs use a wide variety of methods of analysis, including charting, fundamental and technical analysis to determine investment strategies for clients. The primary sources of information used to conduct these types of analysis are financial newspapers and magazines, inspections, research prepared by others, ratings services, press releases, annual reports, prospectuses and other filings with the SEC.

Investment strategies used by IARs can include, but are not limited to:

- Long-term purchases;
- Short-term purchases;

- Asset allocation and rebalancing;
- Dollar cost averaging;
- Trading;
- Margin; and
- Options.

Prior to investing, you should understand and agree with the investment strategies used by your IAR. The implementation of these strategies varies based upon the advisory services program selected and your preferences and needs.

Your account is managed based on your financial situation, investment objectives and instructions. Your IAR works with you to obtain sufficient information to provide individualized investment advice and is reasonably available to consult with you on an ongoing basis. You are permitted to impose reasonable restrictions on the management of the account.

A quarterly custodial statement containing a description of all account activity is provided to you. Your IAR reviews overall performance of each account on a periodic basis in order to ensure that transactions are suitable based on your investment objectives and quality expectations and comply with any investment restrictions you request.

Clients who choose a third-party money manager should carefully review the third-party money manager's Form ADV Part 2A or other Brochure for information on their investment strategies. Investment strategies vary by the third-party money manager selected.

Tax implications are a critical component of any investment strategy. Therefore, depending on the strategy you choose to implement, it is possible that trading activity could result in taxable events and lower investment returns. Since investments have tax or legal consequences, you should consult your tax professionals and attorneys to help answer questions about specific situations or needs.

## **NEXT Select Platform**

In the ETF and Mutual Fund Program, NEXT's Investment Committee uses both quantitative and qualitative analysis to construct its ETF and mutual fund allocation models. The Investment Committee relies on Modern Portfolio Theory and Monte Carlo simulations to test its models and to evaluate performance relative to risk. The Committee's sources of information include Zephyr Analytics, Morningstar Principia, publicly available research and prospectuses.

Each model's goal is to meet its investment objective through a diversified portfolio of strategically managed ETFs or mutual funds based on a target fixed income-to-equity ratio. We seek to maintain allocation targets through periodic rebalancing.

In the Separately Managed Program and Multi-Manager Program, NEXT, through its Due Diligence Committee, is responsible for reviewing, selecting and monitoring SMA Managers and Model Providers. SMA Managers and Model Providers who meet certain of NEXT's prerequisites are required, among other things, to provide information relating to their firm, business practices, and policies and procedures.

SMA Managers and Model Providers selected for participation are also subject to an annual review to determine if there are any material changes or disclosure events that impact the quality of the SMA Manager's or Model Provider's performance of the services contemplated in NEXT Select. NEXT's Due Diligence Committee also conducts periodic ongoing reviews of the Multi-Manager Program's overlay manager, Lockwood.

## **Risk of Loss**

Investing in any type of security involves risk of loss that you should be prepared to bear. NEXT does not guarantee the performance of an account or any specific level of performance. Market values of the securities in the account will fluctuate with market conditions. When the account is liquidated, it may be worth more or less than the amount invested.

All securities are subject to some level of risk which could cause the value of your securities to decrease in value, and in some cases, could result in a loss of your entire investment. The following are some types of risk that could affect the value of your portfolio:

- **Market risk:** The risk that changes in the overall market will have an adverse effect on individual securities, regardless of the issuer's circumstances.
- **Business risk:** Whether because of management or unfortunate circumstances, some businesses will inevitably fail. This is especially true during economic recessions. For example, a company stock can become worthless in the event of a bankruptcy, which would result in a loss of capital to the shareholders.
- **Interest rate risk:** If the Federal Reserve pushes interest rates higher, the market prices of bonds can be affected. When interest rates rise, the market price of bonds typically falls.
- **Inflation risk:** Inflation reduces the buying power of a dollar, and could cause uncertainty among individual investors, possibly resulting in corporations backing away from projects which could further reduce the value of corporate equities.
- **Regulatory risk:** Legislative, regulatory, and/or judicial changes that impact businesses can drastically change entire industries.
- **Industry/company risk:** These risks are associated with a particular industry or a specific company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, which is a lengthy process before they can generate a profit. They carry a higher risk of fluctuations in profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity risk:** Certain investments lack liquidity or the ability to access their principal quickly, without incurring substantial penalties, or the inability to sell the investment until sometime in the future.
- **Opportunity risk:** You or your IAR may choose a conservative product to invest in, which could cause you to miss out on market upswings which potentially could have increased the value of securities with higher risk. The opposite is also true; market downturns can cause you to lose a significant amount of principal invested in higher risk securities, when their funds could have been invested in lower risk securities.
- **Reinvestment risk:** There is a possibility that you will be unable to make additional purchases of a security already in your portfolio at the same rate at which the original purchase was made.

- **Currency or exchange rate risk:** Foreign securities face the uncertainty that the value of either the foreign currency or the domestic currency will increase or decrease; either of which will cause the value of your portfolio to fluctuate.
- **Transactional cost risk:** You could incur significant transactional charges in an unbundled, actively traded account. Frequent trading can decrease the value of your account due to increased brokerage and transaction costs. In addition, the frequent trading can cause taxable events to occur, which could increase your tax burden.
- **Short sale risk:** While a short position has unlimited capability to increase in value, it in turn increases your risk, as you can be required to purchase the security at a high rate or price in order to cover the short sale.
- **Exchange-Traded Funds:** ETFs face market trading risks, including the potential lack of an active market for fund shares, losses from trading in the secondary markets, and disruption in the creation and redemption process of the ETF. Any of these factors can lead to liquidity risk and/or the fund's shares trading at a premium or discount to its "net asset value."
- **Leveraged equity ETFs:** The use of leverage by an ETF increases the risk to the portfolio. The more a portfolio invests in leveraged instruments, the more the leverage will magnify gains or losses on those investments. Due to the complexity and structure of these portfolios, they may not perform over time in direct or inverse correlation to their underlying index.
- **Interval Funds:** Interval funds provide limited liquidity to shareholders by offering to repurchase a limited number of shares on a periodic basis, but there is no guarantee that a client will be able to sell all of their shares in any particular repurchase offer. The repurchase offer program may be suspended under certain circumstances.
- **Structured Products:** A structured product is an unsecured obligation of an issuer with a return, generally paid at maturity, that is linked to the performance of an underlying asset, such as a security, basket of securities, an index, a commodity, a debt issuance or a foreign currency. Structured products are senior unsecured debt of the issuing bank and subject to the credit risk associated with that issuer. This credit risk exists whether or not the investment held in the account offers principal protection. Some structured products offer full protection of the principal invested, others offer only partial or no protection. Investors may be sacrificing a higher yield to obtain the principal guarantee. In addition, the principal guarantee relates to nominal principal and does not offer inflation protection. An investor in a structured product never has a claim on the underlying investment. There may be little or no secondary market for the securities and information regarding independent market pricing for the securities may be limited. A structured product may contain a call feature that can result in the investment being redeemed earlier than the stated maturity date. If a structured product is called prior to maturity, the payment you receive will depend upon the stated terms of the investment. If a structured product is called, you may not be able to reinvest the proceeds in a similar investment with similar risk and return characteristics.
- **Credit risk:** The risk that an issuer of a fixed income security may fail to pay interest and/or principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of the security to decline. These risks are greater for securities that are rated below investment grade (junk bonds), which may be considered speculative and are more volatile than investment grade securities.
- **Options:** Holding options for long-term periods could weaken and/or reduce the value of the underlying stock or create the possibility of a worthless position.



- Global risk: International investing involves a greater degree of risk and increased volatility. Changes in currency exchange rates and differences in accounting and taxation policies outside the U.S. can raise or lower returns. Also, some overseas markets are not as politically and economically stable as the United States and other nations.

You should understand and be willing to accept these and other types of risks before choosing to invest in securities or receive investment advisory services.

## Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of NEXT or the integrity of NEXT's management.

NEXT is a broker/dealer in addition to its activities as a registered investment adviser. In connection with its broker/dealer business, NEXT has been the subject of certain regulatory actions, some of which NEXT has determined to be immaterial. Others are summarized below:

- On October 13, 2011, NEXT entered into an AWC with FINRA. FINRA found that, between September 2007 and January 2009, NEXT failed to have reasonable grounds for approving the sale of a specific private placement. NEXT consented, without admitting or denying the findings, to a censure and fine of \$50,000, and agreed to pay \$2,000,000 in restitution to certain clients who invested in the private placement in question.
- On May 3, 2013, NEXT entered into an AWC with FINRA. FINRA found that NEXT failed to properly monitor and maintain emails for two registered representatives' outside business email accounts. NEXT consented, without admitting or denying the findings, to a censure, fine of \$250,000, and certain undertakings specific to the firm's ongoing email review.
- On May 6, 2014, NEXT entered into a Consent Order with the New Hampshire Bureau of Securities Regulation with respect to the approval of certain seminar invitations of a registered representative distributed in 2010 and 2011 that contained inaccurate information. NEXT agreed to cease and desist from further violations of New Hampshire securities laws and to pay an administrative fine of \$120,000 and investigative costs of \$20,000. NEXT further agreed to establish procedures or modify existing procedures to ensure information in advertising material submitted for approval is properly vetted prior to use.
- On May 28, 2014, NEXT entered into an AWC with FINRA. FINRA found that, between March 2009 and August 2011, NEXT failed to timely and/or accurately amend certain registered representatives' Forms U4 and U5 to disclose customer complaints, judgments, and liens; from January 2010 to August 2011, NEXT's former general counsel directly supervised registered persons without a principal registration; and from March 2009 to August 2012, the firm failed to establish and maintain a supervisory system, including written procedures, which was reasonably designed to detect and prevent unsuitable sales of structured products to retail customers. NEXT consented, without admitting or denying the findings, to a censure and fine of \$88,750.
- On January 27, 2016, NEXT entered into an AWC with FINRA. FINRA found that, between May 1, 2009 and April 30, 2014, NEXT failed to apply applicable sales charge discounts to certain customers' purchases of unit investment trusts (UITs) and to establish, maintain, and enforce a supervisory system and written supervisory procedures reasonably designed to ensure that customers received sales charge

discounts on all eligible UIT purchases. NEXT consented, without admitting or denying the findings, to a censure, a fine of \$125,000, and pay restitution to the affected customers of \$216,150.04.

- On December 6, 2017, NEXT entered into an AWC with FINRA. FINRA found that, from August 2012 through September 2015, NEXT failed to have adequate exception reports to detect excessive trading, failed to perform any review of those reports for an extended period, and allowed excessive trading to occur due to inadequate oversight. FINRA also found that, between August 2012 and April 2014, NEXT had deficiencies in its supervisory procedures pertaining to the sale of multi-share class variable annuities and variable annuity exchanges. FINRA also found that the firm failed to reasonably monitor the use by its registered representatives of consolidated reports, did not take steps to ensure that information on its website was up to date regarding its Financial Partners, and did not reasonably supervise non-cash compensation received by its registered representatives in connection with product sponsor education and training meetings. NEXT consented, without admitting or denying the findings, to a censure, a fine of \$750,000, and to engage an independent consultant to conduct a review of its policies, systems and procedures, and training relating to the violations identified in the AWC.
- On March 11, 2019, the SEC issued an Order Instituting Administrative and Cease-and-Desist Proceedings, Pursuant to Section 203(e) and 203(k) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order as to NEXT in connection with the SEC's Share Class Selection Disclosure Initiative. The Order alleges that (a) between January 1, 2014, and December 31, 2016, NEXT purchased, recommended, or held for advisory clients mutual fund share classes that charged 12b-1 fees instead of lower-cost share classes of the same funds for which clients were eligible, (b) NEXT received 12b-1 fees in connection with the investments, and (c) NEXT failed to disclose in its Form ADV the conflicts of interest related to the receipt of 12b-1 fees and its selection of mutual fund share classes that pay such fees. NEXT agreed, without admitting or denying the findings, to cease and desist from committing or causing any future violations of Sections 206(2) and 207 of the Advisers Act, to a censure, to pay approximately \$1.4 million to compensate investors affected by its conduct, and to notify affected investors of the entry of the Order.
- On December 20, 2019, NEXT entered into a Consent Order with the Massachusetts Securities Division with respect to allegations that between January 2007 and December 2017 the firm approved the sale of non-traded real estate investment trusts ("REITs") by a registered representative that the Division alleged were unsuitable because the amount invested exceeded the firm's liquid net worth concentration guidelines for non-traded REITs. NEXT, without admitting or denying the allegations, agreed to a censure, to pay a fine of \$150,000, and to make rescission offers to ten Massachusetts investors.
- On December 30, 2019, NEXT entered into a Consent Order with the New Hampshire Bureau of Securities Regulation with respect to allegations that between 2009 and 2016 the firm approved unsuitable recommendations of non-traded REITs to a number of New Hampshire investors that exceeded the firm's aggregate and product specific portfolio concentration guidelines for non-traded REITs, failed to comply with investor income thresholds for the purchase of such products, or were made to clients over the age of 80. NEXT, without admitting or denying the allegations, agreed to pay \$325,000 in fines and costs to the Bureau and to offer remediation to 77 New Hampshire investors.
- On February 13, 2020, NEXT consented to a Disciplinary Order with the Texas State Securities Board with respect to allegations that between 2014 and 2018 the firm did not adequately supervise one of its registered representatives who used a trading strategy that included short-term trading in Class A mutual fund shares that resulted in certain customers incurring significant expenses as a result of mutual fund sales charges. To resolve the matter, NEXT, without admitting or denying the allegations,

agreed to pay a \$100,000 fine and refund \$500,000 to customers whose accounts were the subject of the trading strategy.

- On July 13, 2021, NEXT entered into an AWC with FINRA. FINRA found that from January 2012 through February 2019, NEXT failed to have adequate supervisory procedures to detect and prevent unsuitable short-term trading of mutual funds and municipal bonds in customer accounts and over-concentration in customer accounts in Puerto Rico municipal bonds. FINRA also found that, between March 2013 and February 2017, NEXT failed to establish an adequate system of supervisory controls to test and verify that its supervisory systems were reasonably designed to achieve compliance with applicable securities laws and regulations and FINRA rules. NEXT consented, without admitting or denying the findings, to a censure, a fine of \$750,000, and to within 120 days certify to FINRA that it has implemented supervisory systems and written supervisory procedures reasonably designed to address the issues identified in the AWC.

NEXT, as a broker/dealer, is regulated by each of the 50 States and has been subject to orders related to the violation of certain state laws and regulations in connection with its brokerage activities. For more information about these state events and other disciplinary and legal events involving NEXT and its IARs, clients should refer to Investment Advisor Public Disclosure at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or FINRA BrokerCheck® at <https://brokercheck.finra.org>.

## **Item 10 – Other Financial Industry Activities and Affiliations**

NEXT is registered as a broker/dealer and as an investment adviser with the SEC. NEXT is a member of the Financial Industry Regulatory Authority (“FINRA”) and the Securities Investor Protection Corporation (“SIPC”). NEXT is also licensed as an insurance agency in all states. NEXT is affiliated with NEXT Financial Insurance Services Company (“NFISCO”), an insurance agency.

As an indirect wholly owned subsidiary of Atria, NEXT is also affiliated with Cadaret, Grant & Co., Inc., a broker/dealer and SEC registered investment adviser, and Cadaret, Grant Agency, an insurance agency. Atria also owns CUSO Financial Services, LP, a broker/dealer and SEC registered investment adviser, CFS Insurance and Technology Services, LLC, an insurance agency, and Sorrento Pacific Financial, LLC, a broker/dealer, SEC registered investment adviser and insurance agency, Western International Securities, Inc., a broker/dealer, SEC registered investment adviser and insurance agency, SCF Securities, Inc., a broker/dealer, SCF Investment Advisors, Inc, an SEC registered investment adviser, and SCF Marketing, Inc., an insurance agency.

## **Conflicts of Interest as a Broker/Dealer and Insurance Agency**

NEXT is dually registered as both a broker/dealer and as a registered investment adviser and is also a licensed insurance agency. Each IAR is registered as an independent contractor registered representative with NEXT. This creates a conflict of interest because an IAR can choose between offering a client advisory fee-based programs and services and commission-based products and services. To mitigate this conflict, NEXT requires that any advisory program or service that a client is offered is suitable for the client’s investment goals and financial needs.

You are able to enroll in Pershing’s Fully Paid Securities Lending program, which enables qualified investors to lend fully paid-for securities to Pershing. Pershing earns revenue from lending these securities and a portion of that revenue is shared with you, NEXT and your IAR. NEXT and your IAR share in 5% of the revenue

received. The receipt of this extra compensation creates a conflict in certain advisory programs in which your IAR acts as the portfolio manager. The conflict surrounds whether this extra compensation would cause your IAR to hold a security in your account that would have otherwise been liquidated but not for receipt of additional compensation. This conflict is mitigated by our requirement that investment decisions made by your IAR must be in your best interests, as well as the fact that if an account holds these positions, your IAR's compensation will increase nominally, but the security will also generate income for your account. Not all accounts or clients qualify for this program.

You can also participate in Pershing's LoanAdvance™ program which is a securities-based line-of-credit that can be used for most personal, consumer or business needs. In LoanAdvance, you pledge eligible securities in your advisory account as collateral to secure a non-purpose loan. You are charged a rate of interest that is a floating rate not to exceed 3 percentage points above our base rate, the Fed Funds Target Rate as published in *The Wall Street Journal*, plus 200 basis points. We receive compensation in an amount by which the interest rate is marked up over our base rate and share it with your IAR. NEXT and our IARs have an incentive to recommend that clients borrow money rather than liquidating some of their account assets so that we can continue to receive advisory fees on those assets. This results in additional compensation in connection with your advisory account. Trading is permissible in the advisory account that is pledged for the loan; however, the collateral must meet Pershing's LoanAdvance maintenance requirement to support the loan.

Most of our IARs are dually registered. That is, in addition to being an IAR they are registered with us as a registered representative or agent in our capacity as a broker/dealer, which permits them to offer brokerage services to you as a brokerage customer with a brokerage account instead of or in addition to their services to you as an advisory client. Many of our IARs are also licensed insurance agents appointed with various insurance companies. There is a difference in how NEXT and your IAR are compensated for advisory accounts and brokerage accounts or insurance products. While a client pays a fee to their IAR on an advisory account based on the value of account assets and not the number of transactions, in their capacities as registered representatives or insurance agents, an IAR can offer securities and insurance products and receive a commission, markup, or markdown on each transaction. The individuals who are responsible for the immediate supervision of IARs can receive a portion of those commissions or fees as an override to compensate them for their supervisory services. Because your IAR can offer both advisory and brokerage services, there is a conflict involving the determination of whether to recommend an advisory account (fee-based) or a brokerage account (commission-based) or both. To mitigate this conflict, we review our client accounts and transactions to ensure that we have a reasonable basis to believe the recommended services and transactions are consistent with a client's stated goals, objectives, preferences, and needs. Additionally, clients are under no obligation to purchase products or services recommended by an IAR or through an IAR or otherwise through NEXT or its affiliates. Clients are free to implement recommendations through any broker/dealer or advisory firm. If a client requests that an IAR recommend a broker/dealer, the IAR will recommend NEXT; however, the client is under no obligation to effect transactions through us.

While NEXT and your IAR are subject to a fiduciary duty when we provide investment advice to you as an advisory client on an advisory account, neither NEXT nor a registered representative is subject to a fiduciary duty when offering brokerage services or selling insurance products.

## **IRA Rollover Considerations**

If you are a participant in an employer-sponsored retirement plan such as a 401(k) plan, and decide to roll assets out of the plan into an NEXT advisory account, NEXT and your IAR have a financial incentive to recommend that you invest those assets in one of our programs, because NEXT and your IAR will be paid on those assets, for example, through advisory fees. You should be aware that such fees likely will be higher than those a participant pays through a plan, and there can be maintenance and other miscellaneous fees.

Plan participants are under no obligation to rollover their retirement assets to an IRA with NEXT and should carefully consider all relevant factors, such as penalty-free withdrawals starting as early as age 55, whether loans are permitted, legal protections, required minimum distributions, fees and expenses, service levels, available investment options, employer stock considerations and state taxes. NEXT asks clients considering a rollover to complete NEXT's Retirement Plan Rollover Disclosure Form documenting the rationale for the rollover decision and disclosing important information and considerations in connection with the rollover.

## **Conflicts of Interest with Independent Registered Investment Advisers**

In addition to or in lieu of their registrations as IARs of NEXT, certain IARs have their own registered independent investment advisory firms (an "Independent RIA"). An IAR of an Independent RIA can have three different but concurrent roles:

- As a registered representative with NEXT who receives commissions for recommending securities;
- As an IAR of NEXT who receives a fee for rendering advisory services on behalf of NEXT; and
- As an IAR of an Independent RIA who offers advisory services outside of NEXT.

You should be aware that the receipt of additional compensation while acting in concurrent roles creates a conflict of interest and can impair the objectivity of these IARs when making advisory recommendations.

If your IAR is associated with an Independent RIA firm, this will be disclosed on your IAR's Part 2B of Form ADV. Depending on the terms negotiated, your IAR can retain a higher percentage of the advisory fee for services provided through an Independent RIA than would be retained when services are provided through NEXT. You should ask your IAR if purchasing services through an Independent RIA would result in increased costs to you. You are not obligated to purchase recommended investment products from our IARs or their Independent RIAs.

## **Conflicts of Interest with Affiliated Insurance Agency**

NEXT is affiliated with NEXT Financial Insurance Services Company ("NFISCO"), a licensed insurance agency. NFISCO is a subsidiary of NEXT Financial Holdings, Inc., the parent company of NEXT. IARs, in their capacity as insurance agents with NFISCO or as independent insurance agents, can effect transactions in insurance products for clients and earn commissions for these activities.

The fees paid to NEXT for advisory services are separate and distinct from the insurance commissions earned by NFISCO and/or its insurance agents. You are under no obligation to use NFISCO and/or its insurance agents for insurance services and can use the insurance firm and agent of your choosing.

## **Item 11 – Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading**

NEXT has adopted a Code of Ethics (“Code”) which sets forth standards of business conduct, which all associated persons of NEXT are required to follow. The Code also describes certain reporting requirements with which covered persons must comply. The Code includes provisions relating to the confidentiality of client information, insider trading, gifts and entertainment, and personal securities trading, among other things.

NEXT’s clients or prospective clients may request a copy of NEXT’s Code by contacting us using the contact information on the cover page of this Brochure.

IARs will often invest in the same securities recommended to clients. Generally, these securities are shares of open-end mutual funds or stocks and bonds actively traded on a national securities exchange or market where the time and size of the transactions will not affect purchases or sales for clients. They can also make purchases for their own accounts at or about the same time as the purchases/sales are made in client accounts. Orders for clients and orders for IARs’ own accounts are sometimes aggregated in “block trades” as more fully described in the Brokerage Practices section below. Aggregated orders can achieve better execution for participating accounts and those advantages will be fairly allocated among all participating accounts.

IARs can hold positions in securities held or recommended to clients but are not allowed to front-run or otherwise benefit from these positions. Internal procedures have been instituted to ensure that clients are treated fairly in execution of all trades.

To avoid conflicts of interest, NEXT IARs are prohibited from buying or selling securities for their personal accounts where their decision is substantially derived, in whole or in part, by reason of their employment unless the information is also available to the investing public on reasonable inquiry. No IAR may place his/her own interests over those of a client. Further, all IARs must comply with all applicable federal and state regulations governing registered investment advisers.

## **Item 12 – Brokerage Practices**

NEXT has no brokerage soft dollar arrangements and receives no benefits or research in exchange for executions.

### **NEXT Select and Contour**

NEXT acts as an introducing broker utilizing Pershing to execute transactions in NEXT Select accounts and to custody account assets in connection with the program. Contour accounts are custodied with an unaffiliated custodian designated by a client. Custodial options in Contour include, but are not limited to, Pershing.

In the NEXT Select and Contour Programs, you authorize us to direct all transactions through a designated broker/dealer. You cannot request that your orders be executed through another broker/dealer. When directing execution of all transactions through a particular broker/dealer, there is no assurance that most favorable execution will be obtained, which could cost you more money. Not all advisers require clients to direct transaction executions to specified broker/dealers, as we do. We periodically review the execution quality of available broker/dealers to confirm that the quality we receive is comparable to what could be obtained through other qualified broker/dealers.

For accounts custodied at Pershing, NEXT relies in part on Pershing's rigorous review of execution quality, the details of which are made available to us for our review. In addition, to assist in evaluating the quality of Pershing's equity executions, NEXT engages the services of a third-party consultant who monitors Pershing's equity executions for quality and helps us identify transactions that are eligible for price improvement.

On the NEXT Select Platform, SMA Managers or Lockwood can elect to execute trades at broker/dealers other than Pershing for some or all of their transactions or investment strategies. In Contour, SMA Managers, Sub-Managers, or Envestnet, as Overlay Manager, can elect to execute trades at broker/dealers other than Pershing for some or all of their transactions or investment styles. This is frequently referred to as "trading away" or "step out trades". Clients who select such managers will be subject to any transaction charges or other charges, including commissions, mark-ups, mark-downs, or other additional trading costs that are imposed by the executing broker/dealer in addition to the Total Fee and the other fees described in the applicable wrap fee brochure. The Form ADV Part 2A for the applicable manager should be consulted for additional information.

NEXT Select and Contour accounts are managed based on model portfolio strategies. One or more clients can have the same model portfolio, based on their investment objective and risk profile. We typically aggregate orders into block trades when models are rebalanced or if one or more securities are added or removed from a model. Transactions can, however, be executed independent of transactions for other clients. An IAR must reasonably believe that a block order is consistent with NEXT's duty to seek best execution and will benefit each client participating in the aggregated order.

When we aggregate orders, we do so in a manner reasonably designed to ensure that no participating client obtains a more favorable execution price than another. Transactions are typically aggregated pro rata to the participating client accounts in proportion to the size of the order placed for each account. If we are unable to fully execute an aggregated order and we determine that it would be impractical to allocate a smaller number of securities among the participating accounts on a pro rata basis, we will seek to allocate the securities in a manner that does not disadvantage particular client accounts.

## **Visionary Program**

The Visionary Program is operated as a directed brokerage subject to most favorable execution of client transactions. Envestnet does not require a client to utilize any particular broker/custodian. After consultation with the IAR, clients designate TD Ameritrade, Inc. ("TD Ameritrade") as the broker/custodian of program accounts. Clients pay an asset-based fee for the brokerage/custody/clearing services provided by TD Ameritrade (as opposed to transaction-based charges). The fees are detailed in a separate custodial agreement entered into between the client and TD Ameritrade. The maximum asset-based fee charged by TD Ameritrade for its services is 10 basis points.

In placing orders for purchase and sale of securities and directing brokerage to effect these transactions, Envestnet's primary objective is to obtain prompt execution of orders at the most favorable prices reasonably obtainable. In doing so, Envestnet considers a number of factors, including, without limitation, the overall direct net economic result to the client, the financial strength, reputation and stability of the broker, the efficiency with which the transaction is effected, the ability to effect the transaction at all, the availability of the broker to stand ready to execute possibly difficult transactions in the future and other factors involved in the receipt of brokerage services. Envestnet utilizes a global third-party service provider to assist in the review of trades for best execution purposes, and Envestnet's Best Execution Committee will periodically review the execution quality obtained on behalf of clients.

In general, Envestnet routes trades directly to the custodian of record. Occasionally, to obtain best execution and minimize market impact, certain thinly traded securities, illiquid or ETF trades, for example, can be 'stepped-out' in order to gain best execution and minimize market impact. In some instances, stepped-out trades are executed by the other firm without any additional commission or markup or markdown, but in other instances, the executing firm may impose a commission or a markup or markdown on the trade. If trades are placed with a firm that imposes a commission or equivalent fee on the trade, including a commission that may be embedded in the price of the security, a client will incur trading costs in addition to the Program Fee.

Certain Sub-Managers do not utilize Envestnet to facilitate their trading in the securities within their strategies and consequently the use of these strategies may result in additional trade-away fees that are not included in the Program Fee, or that may be in addition to the Program Fee. Clients should consult with their IAR and review the Sub-Manager's Form ADV Part 2A for information related to any additional fees. Further, Sub-Managers may execute transactions through brokers, dealers and banks that have certain arrangements with Sub-Managers pursuant to which Sub-Managers receive credit toward acquisition of research products and services for brokerage placed with such firms by Sub-Managers. Clients should carefully consider any additional trading costs the client may incur before selecting a Sub-Manager.

When Envestnet or a Sub-Manager deems a transaction to be in the best interests of a client as well as other clients of Envestnet or Sub-Manager, to the extent permitted by applicable law and regulation, Envestnet or Sub-Manager is permitted to aggregate multiple client orders to obtain what Envestnet or Sub-Manager believes will be the most favorable price and/or lower execution costs at the time of execution.

## **Item 13 – Review of Accounts**

Each IAR monitors his or her client accounts and conducts a review of accounts periodically. Factors that will result in additional reviews include, but are not limited to, significant market corrections, large deposits or withdrawals from an account, substantial changes in the value of a client's portfolio, or a change in a client's investment objectives or life circumstances.

In addition to the account reviews conducted by IARs, IAR-managed advisory accounts are subject to review by a designated supervisor. NEXT utilizes the following systems and procedures to supervise client accounts:

- NEXT Select Representative Managed Program and Contour APM accounts are supervised through an alert-based electronic transactional review system;
- Other investment advisory services programs are reviewed through a number of internal reports run by NEXT; and
- IARs are subject to NEXT's branch office examination program where a sampling of accounts and/or transactions are reviewed by the examiner.

On a periodic basis, clients participating in NEXT's wrap fee programs are sent a performance report. Custodian also sends account statements to you on a monthly or quarterly basis. An IAR may also provide you with reports created using Albridge Wealth Reporting Solutions ("Albridge"). Albridge is a third-party vendor that we engage to enable IARs to prepare reports for client accounts. These reports include different information than the performance reports we provide, including information about brokerage accounts, variable annuities and alternative investments and other assets not managed under an advisory account agreement. There can be discrepancies in the pricing of securities between Albridge reports, the performance reports we provide, and the statements you receive from the account custodian. These discrepancies can result



from different calculation and reporting methods between Albridge and the custodian. If you have a question about a discrepancy, you should direct it to your IAR. If the IAR is unable to adequately address your concern, you should contact NEXT at the phone number on the cover page of this Brochure.

In connection with Investment Fiduciary and Retirement Plan Services, an IAR will contact each client at least once a year to review the client's retirement plan services. It is important that the plan sponsor discuss any changes in the plan's demographic information, investment goals, and objectives with the IAR. A Plan can receive written reports directly from their IAR based upon the services being provided, including any reports evaluating the performance of plan investment manager(s) or investments.

## **Item 14 – Client Referrals and Other Compensation**

### **NEXT Compensation to IAR**

Your IAR receives compensation from NEXT. NEXT compensates its IARs pursuant to an independent contractor agreement, and not as an employee. This compensation includes a portion of the advisory fee, which may be more or less than what your IAR would receive at another advisory firm. Such compensation includes other types of compensation, such as bonuses, awards or other items of value offered by NEXT. NEXT pays its IARs in different ways, for example:

- Reimbursement or credit of fees IARs pay to NEXT for technology services;
- Free or reduced-cost marketing materials;
- Recruitment compensation in connection with the transition of association from another broker/dealer or investment advisor firm to NEXT;
- Payments in the form of repayable or compensatory loans; and
- Attendance at NEXT conferences and events.

NEXT pays its IARs this compensation based on the IAR's overall business production, including the amount of assets on NEXT's advisory platforms.

When an IAR becomes associated with NEXT after working with another financial services firm, the IAR can receive recruitment compensation from NEXT in connection with the transition. This transition assistance includes payments that are intended to assist an IAR with costs associated with the transition; however, we do not verify that any payments made are used for transition costs. These payments can be in the form of repayable or compensatory loans, and are subject to favorable interest rate terms, as compared to other lenders. In the case of compensatory loans, the loans are generally subject to repayment if an IAR leaves NEXT before a certain period of time or if other conditions are not met. Transition assistance payments can be used for a variety of purposes such as providing working capital to assist in funding the IAR's business, offsetting account transfer fees payable to the custodian as a result of the clients transitioning to NEXT's platforms, technology set-up fees, marketing, mailing and stationary costs, registration and licensing fees, moving and office space expenses, staffing support and termination fees associated with moving accounts.

The amount of recruitment compensation is typically based on a percentage of the IAR's business established at their prior firm, for example, a percentage of the revenue earned, or assets serviced at the prior firm, or on the size of the assets that transition to NEXT. The receipt of this compensation creates a conflict of interest in that an IAR has a financial incentive to recommend that a customer open and maintain an account with NEXT.

for advisory or brokerage services, and to recommend switching investment products or services where a customer's current investment options are not available through NEXT, in order to receive the benefit or payment.

NEXT and its IARs attempt to mitigate these conflicts of interest by assessing and recommending that clients use NEXT's services based on the benefits that such services provide to clients, rather than the recruitment compensation earned by any particular IAR. However, you should be aware of this conflict and take it into consideration in deciding whether to establish or maintain a relationship with NEXT and your IAR.

### **Continuing Compensation**

NEXT makes available a program to provide continuing compensation to an IAR's estate/heirs upon the IAR's death or retirement ("inactive IAR"). Continuing compensation includes recurring advisory fees and brokerage commissions received by NEXT attributable to accounts established by the inactive IAR during his association with the firm. To ensure continuity, an IAR names a qualified successor IAR to provide ongoing services to his or her clients. The successor IAR shares an agreed percentage of the ongoing compensation with the inactive IAR's estate/heirs for no more than five years. Program eligibility is based on minimum tenure and other qualification standards established by NEXT.

### **Revenue Sharing**

NEXT receives fees when we invest your account assets or recommend that you invest in certain mutual funds (including money market funds), annuities, UITs, ETFs and structured products. These fees are called "revenue sharing." Product sponsors and third-party money managers ("Partners") pay these fees to NEXT in what we call the Partners Program. Partners pay different amounts of revenue sharing fees and receive different levels of benefits for their payments. The benefits Partners receive include our IAR contact lists and business metrics, preferred placement on our website, participation in product training initiatives and marketing and sales campaigns, and the ability to participate in our conferences.

The payments made under our Partners Program are calculated based either on gross sales or assets under management, or on a flat fee arrangement, and vary by Partner. The revenue sharing fees we receive can be substantial, which creates a conflict of interest. We mitigate this conflict by not sharing revenue sharing fees with our IARs. An IAR's compensation is the same regardless of whether a sale involves a Partner's product or service.

We use the revenue from our Partners to support certain marketing, training, and educational initiatives including our annual National Educational Conference. The conference provides a venue to communicate new products and services to our registered representatives and IARs, to offer training to them and their support staff, and to keep them abreast of regulatory requirements. The revenue is also used to pay for annual awards for our registered representatives and IARs who generate the most revenue overall and to pay for our general marketing expenses. A NEXT registered representative or IAR who earns total compensation over a threshold amount receives an award, in the form of a trophy, medal, or plaque, and is invited to attend NEXT's top producer conference. Revenue from Partners helps to pay for top producer conference costs. Top producing NEXT registered representatives and IARs receive an award based on total revenues, including but not limited to sales of Partners' mutual funds, annuities, structured products, and ETFs.

We prepare and make available to our IARs a quarterly list of Partners' mutual funds and ETFs that have been screened for investment performance against other Partners' funds with similar objectives and asset classes (the "Select Fund List" or "List"). NEXT and our IARs have a conflict of interest when an IAR chooses or recommends an investment from the Select Fund List for your portfolio because NEXT receives revenue sharing fees from the mutual fund or ETF sponsor. Our receipt of revenue sharing fees can influence our selection of mutual funds and ETFs, as our IARs are likely to recommend a fund or ETF whose sponsor pays us revenue sharing fees over a fund or ETF whose sponsor does not pay us.

You do not pay more to purchase funds from the List through NEXT than you would pay to purchase these funds through another broker-dealer, and your IAR does not receive additional compensation for selecting a fund from the List. IARs are not required to choose or recommend investments from the Select Fund List.

NEXT also receives compensation from certain unaffiliated or third-party investment advisers to assist in paying for ongoing marketing and sales support activities including training, educational meetings, due diligence reviews, and day-to-day marketing and/or promotional activities. The compensation arrangements vary and are generally structured as a fixed dollar amount or as a stated percentage not exceeding 0.05% of sales and 0.03% on assets with the adviser.

A conflict of interest exists where NEXT receives such compensation because there is an incentive to recommend these third-party advisors over other investment opportunities to generate additional revenue for the firm. However, our IARs are not required to recommend any third-party advisor providing additional compensation, nor do they directly share in any of this compensation.

To see NEXT's Third-Party Fee Disclosure, which identifies the participants in the Partners Program along with revenue sharing arrangements by product type, please visit the Customer Disclosures section of our website at [www.nextfinancial.com/customers/disclosures](http://www.nextfinancial.com/customers/disclosures).

### **Ad Hoc Reporting**

We receive up to \$5,000 per product sponsor annually from various mutual fund, ETF, and annuity investment sponsors in exchange for access to business intelligence and ad hoc reporting relating to our registered representatives and IARs.

### **Pershing Clearing Relationship**

Pershing is the clearing firm for NEXT's brokerage business, is the custodian for NEXT Select and is a custodial option for Contour accounts. Pershing earns fees from clients and third parties and shares some of them with NEXT. Our IARs do not receive any part of these fees.

When Pershing is the custodian of your account, it automatically moves (sweeps) the cash in your account into money market funds and/or FDIC insured bank deposit accounts. You and your IAR select the money market fund or bank deposit account. Pershing retains some of the interest paid on the bank deposit account, or shareholder servicing fees paid on the money market fund and pays a portion of that to NEXT. These payments are called "distribution assistance" and they vary based on the bank deposit account or money market fund you select. NEXT does not determine the interest rates paid on bank deposit accounts or shareholder servicing fees paid on money market funds, or the amount or percentage of distribution payments that we

receive. When interest rates are low, or in the event of a regulatory change, Pershing reserves the right to reduce or discontinue its distribution assistance payments to us.

Our receipt of distribution assistance payments creates a conflict of interest because NEXT has an incentive to recommend or make available money market funds and FDIC insured bank deposit accounts with higher distribution assistance payments over those with lower or no payments. We mitigate this conflict through disclosure in this Brochure, and by not requiring or incentivizing our IARs to recommend advisory accounts custodied at Pershing or any given sweep arrangement and by not sharing distribution assistance payments with IARs.

Pershing also pays fees to NEXT, or shares fees it earns with NEXT, for the following items:

- Transition assistance in the form of reimbursement of (a) IRA termination fees of up to \$165 per account for a retirement account transferred to Pershing and up to \$125 per retail account for retail accounts transferred to Pershing, (b) a payment on the value of the assets transitioned, or (c) some combination of fee reimbursements and a payment on the value of assets transitioned;
- A growth assistance credit for seven years to support, service, and grow brokerage assets on the Pershing platform;
- A portion of certain brokerage account services and custodial fees charged to customer accounts that exceeds the amount that we are required to pay Pershing for such services, including account transfer fees, IRA custodial and termination fees, paper confirm and statement fees, inactive (custodial) account fees, retirement account maintenance fees, and margin interest; and
- A portion of shareholder servicing fees from certain mutual fund sponsors as part of their FundVest® FOCUS program as described below.

In the FundVest FOCUS program, Pershing receives asset-based shareholder servicing fees from participating funds. The asset-based revenue is based upon the total FundVest program assets held in NEXT's accounts. Pershing shares 40% of these revenues with NEXT. Our receipt of a portion of the FundVest funds' service fees creates a conflict of interest because we have an incentive to invest your assets or to recommend that you purchase or hold these mutual funds that pay fees to NEXT over other funds that do not pay these fees. We mitigate this conflict through disclosure in this Brochure. NEXT does not share these fees with our IARs and we do not require or incentivize our IARs to recommend FundVest funds.

Most FundVest funds have higher internal expenses than funds that are not in the FundVest program, and the share classes of funds in the program have higher internal expenses than share classes not in the program. The higher internal expenses will reduce the long-term performance of an account when compared to an account that holds lower-cost share classes of the same fund. Clients should ask whether lower-cost share classes are available and/or appropriate for their account considering their expected investment holding periods, amounts invested, and anticipated trading frequency. FundVest funds held less than six months are also subject to a short-term redemption fee of \$51.50 which will be charged to your account. Further information regarding mutual fund fees and charges is available in the applicable mutual fund prospectus. For a list of funds participating in the FundVest program, please contact us using the contact information provided on the cover page of this Brochure. Pershing, in its sole discretion, may add or remove mutual funds from the FundVest program or may terminate the FundVest program without prior notice.

## Solicitation Activities

From time to time, NEXT enters into solicitation agreements with individuals or entities whereby investment advisory accounts are solicited by NEXT and referred to another state-registered or SEC-registered investment adviser. In these situations, NEXT is compensated for the referral activity.

NEXT also has solicitation arrangements with persons or entities who are not our IARs. If a solicitor will receive any portion of the advisory fee paid by a client, the client will receive a written disclosure statement describing the arrangement. A client will not pay higher fees because of the solicitor's arrangement.

## Professional Edge Program

The Professional Edge Program offers certain NEXT IARs, who are participants in the program, but who do not provide investment advisory services to clients themselves, the capability to refer their clients to other NEXT IARs. Professional Edge Program participants receive a portion of the advisory fee charged by the IAR managing a client's account. The fees assessed to a client who has been referred to another IAR as a result of their participation in the Professional Edge Program are no more or less than fees charged by IARs who do not use the program.

## Item 15 – Custody

NEXT has limited custody of our clients' funds and/or securities when clients authorize us to deduct our management fees directly from their accounts. NEXT is also deemed to have custody of a client's funds and/or securities when a client has on file a standing letter of authorization ("SLOA") with the account custodian to move money from the client's account to a third party and under the SLOA authorizes us to designate, based on your instructions from time to time, the amount or timing of the transfers. The SEC has set forth a set of procedural safeguards intended to alleviate a firm being held to the full requirements of the SEC's Custody Rule under these circumstances, which we follow.

For NEXT Select and certain Contour accounts, NEXT has an arrangement with Pershing to provide clearance and custody of accounts. Pershing: (a) maintains custody of all account assets, (b) executes and performs clearance of purchase and sale orders in accounts, and (c) performs all custodial functions customarily performed with respect to securities brokerage accounts, including but not limited to the crediting of interest and dividends on account assets. Pershing forwards client account statements as well as confirmation of each purchase and sale to you. In NEXT Select and Contour, you can elect or contractually agree to receive transaction information in your monthly statement in lieu of transaction confirmations, except in the Representative Managed Program and APM where confirmation suppression is not an option. Pershing acts as the general administrator of each account, which includes collecting account fees on NEXT's behalf and processing, pursuant to NEXT's instructions, deposits to and withdrawals from the account. Pershing does not assist clients in selecting NEXT or any investment objective or in determining suitability. You retain ownership of all cash, securities and other instruments in the account.

Your IAR recommends that you designate TD Ameritrade to provide clearance and custody of Visionary Program accounts. TD Ameritrade: (a) maintains custody of all account assets, (b) executes and performs clearance of purchase and sale orders in accounts, and (c) performs all custodial functions customarily performed with respect to securities brokerage accounts, including but not limited to the crediting of interest

and dividends on account assets. TD Ameritrade acts as the general administrator of each account, which includes charging and collecting account fees on NEXT's behalf and processing, pursuant to NEXT's instructions, deposits to and withdrawals from the account. TD Ameritrade does not assist clients in selecting Visionary or any investment objective or in determining suitability. You retain ownership of all cash, securities, and other instruments in the account.

You should receive at least quarterly statements from the qualified custodian that holds your advisory account assets. NEXT urges you to compare the holdings listed on the custodian's statement to those listed on reports NEXT or your IAR may provide. If you have a question about a discrepancy, you should direct it to your IAR. If the IAR is unable to adequately address your concern, you should contact NEXT at the phone number on the cover page of this Brochure.

If you designate a variable annuity contract for management under the VAMPP, assets are maintained by the insurance Carrier for the variable annuity that you designate for management. The Carrier will provide you with periodic account statements showing a beginning balance, transactions during the period, and an ending balance.

In connection with Investment Fiduciary and Retirement Plan Services, NEXT does not serve as a custodian for plan assets. The plan sponsor is responsible for selecting the custodian. We may be listed as the contact for the plan account held at an investment sponsor or custodian. The plan sponsor will complete account paperwork with the outside custodian that provides the custodian's name and address. The custodian for plan assets is responsible for providing the plan with periodic confirmations and statements. The plan sponsor should review the statements and reports received directly from the custodian or investment sponsor.

In some instances, clients participate in programs that are not sponsored by NEXT. In those situations, clearance and custody of securities is determined by the program sponsor. You should refer to the sponsor's Form ADV Part 2A for complete details regarding those programs.

## **Item 16 – Investment Discretion**

All NEXT Select accounts are managed on a discretionary basis with discretion granted to: (a) the IAR in the Representative Managed Program; (b) the SMA Manager in the Separately Managed Program; (c) NEXT in the ETF Program; to (d) Lockwood in the Multi-Manager Program with limited discretion to allocate platform assets across selected models and other assets; and (e) the IAR in the Multi-Manager Program for assets allocated to Other Investments and to select and allocate assets among the Model Providers according to your risk tolerance (as described in the NEXT Select Wrap Fee Brochure).

Contour accounts are managed on a discretionary basis with discretion granted to: (a) the IAR in APM; (b) Envestnet in the FSP; (c) the SMA Manager or Envestnet in SMA; (d) Envestnet as Overlay Manager, Sub-Manager(s), and IAR for Other Investments and allocation to model providers in UMA.

Clients participating in the Visionary Program appoint each of Envestnet, NEXT, Sub-Manager, and IAR as investment manager and grants to Envestnet, NEXT, and IAR full discretionary authority to invest, reinvest and otherwise deal with the Visionary Program assets in their discretion, including without limitation the authority to select, allocate and reallocate the Visionary Program assets in the client's account to different Third Party Models and Sub-Managers and to delegate investment discretion to such Sub-Managers. Such discretionary authority allows Platform Manager, NEXT, Sub-Manager, and IAR to make all investment

decisions with respect to the accounts and, when it deems appropriate and without prior consultation with the client, to buy, sell, exchange, convert and otherwise trade in any stocks, bonds, mutual funds, and other securities, including assets initially deposited into the accounts that do not meet the investment guidelines of the Program.

Clients participating in VAMPP grant limited discretionary authority to NEXT to invest, reinvest, and otherwise deal with variable annuity contract assets in accordance with the selected model portfolio according to the client's investment profile. Such discretionary authority allows NEXT to provide instructions to the Carrier without prior consultation with client, to allocate and reallocate contract assets among sub-accounts. Clients also grant IAR limited discretionary authority to change Models without a client's signature so long as the change does not (a) increase the total fee, or (b) increase the client's risk tolerance.

Your IAR will have limited discretion to change your investment strategies, Model Providers and/or Sub-Managers within the same profile risk tolerance to a lower tolerance without your approval so long as there is no fee increase; however, to increase your risk tolerance or fees, your IAR will obtain your written consent.

Your account is managed on a discretionary basis only with your written consent. Consent is granted and evidenced in the agreement signed when you become a client. We define discretion as: the ability to trade an account, without obtaining your prior consent, the securities and amount of securities to be bought or sold, and the timing of the purchase or sale. Neither NEXT nor an IAR has the authority to withdraw or transfer funds or securities from your account.

## **Item 17 – Voting Client Securities**

Neither NEXT nor its IARs will take any action nor give any advice with respect to voting of proxies solicited by, or with respect to, the issuers of securities in which your assets are invested.

For accounts in NEXT Select, you may authorize SMA Managers or Lockwood in writing to exercise discretion in voting or otherwise acting on all matters for which a security holder vote, consent, election or similar action is solicited by, or with respect to, issuers of securities beneficially held as part of the Platform Assets in Separately Managed Program or Multi-Manager Program accounts. The default authorization for ERISA accounts (such as SIMPLE or SEP IRAs), is the SMA Manager or Lockwood will receive all proxies and related material and will vote on your behalf. For assets held in Representative Managed Program or ETF Program accounts, neither NEXT nor the IAR will exercise such authority and you expressly retain the authority. You reserve the right to revoke proxy voting authority at any time.

In Contour, you authorize SMA Managers, Sub-Managers, or Envestnet, as applicable, in writing to exercise discretion in voting or otherwise acting on all matters for which a security holder vote, consent, election or similar action is solicited by, or with respect to, issuers of securities beneficially held as part of the Platform Assets in SMA or UMA accounts. You can revoke this authority by providing written instructions.

In the Visionary Program, Envestnet or Sub-Manager, as applicable, will exercise discretion in voting or otherwise acting on all matters for which a security holder vote, consent, election or similar action is solicited by, or with respect to, issuers of securities beneficially held as part of the Visionary Program assets, unless otherwise agreed with Client. Client reserves the right to revoke this authority at any time.

Unless you agree in writing to proxy delegation, all proxy materials will be sent directly to you. Any proxy materials inadvertently received by NEXT or its IARs will be forwarded to you for direct action and you retain the right to vote such proxies solicited for securities held in the investment advisory account.

## **Item 18 – Financial Information**

NEXT is not required to include a balance sheet in this Brochure because we do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

There is no financial condition that is reasonably likely to impair NEXT's ability to meet its contractual commitments to its clients. NEXT has never been the subject of a bankruptcy proceeding.